GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4831
ANSWERED ON:24.08.2001
MADHAVPURA MERCANTILE COOPERATIVE BANK
PRABHUNATH SINGH;RAGHUNATH JHA

Will the Minister of FINANCE be pleased to state:

(a) whether during 1998 RBI inspected Madhavpura MercantileCooperative Bank (MMCB)and found major irregularities in its functioning;

(b) if so,the details of the irregularities noticed during inspection;

(c) the reasons why no action was taken on RBI inspection report; and

(d) the action the Government have taken/propose to take against RBI`s officials, who hasnot acted on RBI inspectionreport on MMCB during 1998?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL) :

(a) and (b) Reserve Bank of India (RBI) has reported that the Madhavpura MercantileCo-operative Bank (MMCB) Ltd., Ahmedabad was not inspected in the year 1998. The previous inspection of the bank was conducted under Section 35 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) fromSeptember 30,1999 to October 20, 1999 with reference to its financial position as on March 31, 1999. Some of the majorirregularities/shortcomings noticed during the course of inspection included inadequate internal control system, absence of critical scrutiny of loan applications, renewal of cash credit accounts in a routine manner, defective loan documentation, unsatisfactory follow-up of post disbursement supervision, non compliance with the requirement of 15% of Net Demand and Time Liabilities (NDTL) in Government and other approved securities, non-review of large borrowai accounts and position of accounts by the Board of Directors and higher share ofinstitutional deposits in the total deposits of the bank.

(c) RBIhad asked the MMCBto furnish an item-wise compliance for each of the defects pointed out in the inspection report to its Ahmedabad Regional Office.TheChairman. Managing Director and Chief Executive Officer, one of the Directors and the Branch Manager of Mumbai branch of the bank were called to discussthe major findings of the inspection by Chief GeneralManager at Mumbai.During the course of discussion the officialsof the bank assured that all the defects/deficiencies noticed during the course of inspection would be rectified.

(d) The Joint Parliamentary Committee (JPC) is enquiring into the matter.